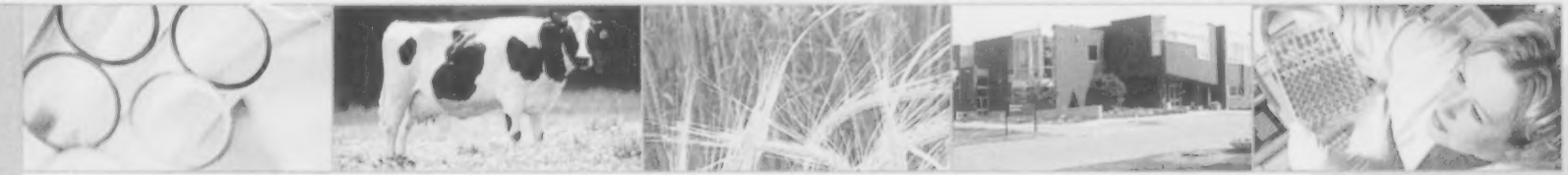
Agricultural Research Institute of Ontario (ARIO)



Annual Report 2010-2011

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Ministry Vision and Role of the ARIO

Ministry Vision

"Thriving rural Ontario, agriculture, and food sectors."

Ministry Mission

"A catalyst for transforming our agriculture and food sectors and rural communities for a healthy Ontario."

The Ontario Ministry of Agriculture, Food and Rural Affairs invests significantly in research, education, technology transfer and analytical and diagnostic services to achieve its vision. A strategic and coordinated priority setting system is integral to funding excellent research. The Agricultural Research Institute of Ontario is an important part of such a system.

Role of the Agricultural Research Institute of Ontario (ARIO)

The Agricultural Research Institute of Ontario (ARIO) fills a unique role in providing advice on strategic directions for research priorities/activities that contribute to prosperous, competitive and sustainable agricultural, food and rural sectors in Ontario. In addition, ARIO owns the province's agriculture & food research and education infrastructure (currently 3 colleges and 14 research stations), and has the responsibility for operating and managing these assets in support of Ontario's farmers and the agriculture and food sector. The Institute was created in 1962 under the *Agricultural Research Institute of Ontario Act R.S.O. 1990, C.A. 13* as amended and reports to the Minister of Agriculture, Food and Rural Affairs. ARIO's mandate, as defined by the Act, is to advocate areas of research for the betterment of agriculture, veterinary medicine and household sciences and to increase production efficiency and marketing of agricultural products by stimulating interest in research.

ARIO Mission Statement:
ARIO, as appointed representatives of the agri-food sector, are dedicated to the strategic use of science and innovation to enhance the sustainability and profitability of Ontario's agri-food and rural sectors.

ARIO comprises up to 15 members appointed by the Minister of Agriculture, Food and Rural Affairs.

2010-2011 ARIO Members

	Appt. Date	Exp. Date
Mr. Stewart Crossman (Chair)	Aug. 31, 2005	Nov. 14, 2011
Dr. Larry Milligan (Vice Chair)	July 13, 2007	July 12, 2013
Dr. Rebecca Baker	Oct. 26, 2009	Oct. 25, 2012
Dr. Oon P. Dang	Dec. 1, 2008	Nov. 30, 2011
Dr. Mimi Emo	July 17, 2007	Dec. 23, 2011
Mr. Greg Hannam	Dec. 14, 2004	May 29, 2011
Mr. Paul Henderson	Dec. 23, 2008	Dec. 22, 2011
Ms. Elizabeth Johnston	Sept. 22, 2009	Sept. 21, 2012
Mr. Larry Skinner	Nov. 15, 2006	Nov. 14, 2012
Dr. Gord Surgeoner	June 2, 2005	Nov. 14, 2011
Mr. Ezio DiEmanuele (ex officio)	Feb. 1, 2005	

Director of Research, ARIO:
Karen Chan

Secretariat support to ARIO is provided by the Research and Innovation Branch (OMAFRA):

Mike Toombs, Director – Research and Innovation Branch
Rob Cunnington, CA, Comptroller
Stacy Gavin, Acting Manager – Research Program Coordination
Jeff Schieck, Manager – Finance, Infrastructure and Administration

Letter from the Chair

Guelph, Ontario
July 15, 2011

The Honourable Carol Mitchell
Minister of Agriculture, Food and Rural Affairs
Legislative Buildings
Toronto, Ontario M7A 1A3

Dear Minister Mitchell,

I am pleased to submit the 47th annual report of the Agricultural Research Institute of Ontario (ARIO) for the fiscal year April 1, 2010 to March 31, 2011. In looking back over the past year, it is exciting to see the progress being made on many fronts. Highlights include:

- the completion of a full cycle of a new research priority setting system, the OMAFRA Research Advisory Network (ORAN);
- the development and implementation of a new electronic Research Management System (RMS);
- the establishment of an industry-led coalition to drive the development of Mission 2050;
- continuing work on developing a reinvestment strategy for research stations;
- continuing work with Vineland Research & Innovation Centre (VRIC) to fully establish their role at the Vineland Research Station.

While the focus continues to be fixed firmly on the future, the ARIO, with Ministry and University of Guelph support, continues to deliver managerial oversight of the operation of our 14 research stations and three regional campuses, along with very effective, efficient and transparent administration of the Ministry's competitive research programs.

The Agricultural Research Institute of Ontario continues to be encouraged by the Ministry's receptiveness to our advice. We value the excellent work done by ministry staff in working with us to manage these strategic research infrastructure assets and in developing our recommendations regarding long term reinvestment opportunities for the agriculture and food sector that are so important to the overall economic stability and growth of the province going forward.

This report includes the audited financial statements for the fiscal year ended March 31, 2011 and summarizes the activities of the ARIO over the past fiscal year. I trust you will find the information useful.

Sincerely,

Stewart Cressman

Stewart Cressman,
Chair, Agricultural Research Institute of Ontario

Chair and Director's Report

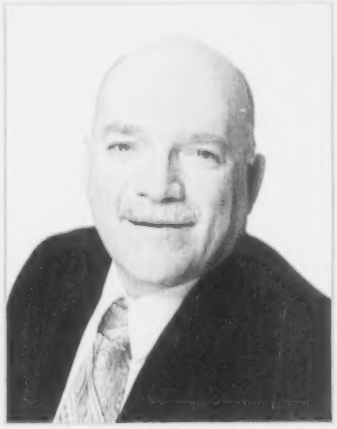
The 2010-2011 fiscal year was another very busy one for the Agricultural Research Institute of Ontario (ARIO). There have been significant improvements to the overall research administrative system as well as real progress on several of our long term strategic priorities and planning initiatives. The OMAFRA Research Advisory Network (ORAN) was introduced last year. It is a streamlined approach to priority setting that gathers and coordinates input across the full spectrum of industry stakeholders and government interests. It facilitates identification of well defined priorities that allow researchers to respond with proposals that clearly meet the needs of Ontario's agri-food sector.

The second major improvement to research administration, introduced this past year, was the development of a new electronic Research Management System (RMS). It has greatly improved the administration and tracking of these research projects from the initial Letter of Intent stage through to full proposal review, financial administration of project awards, review of annual and final reports and tracking of knowledge transfer and translation activities. As a result, administration and delivery of research knowledge to the appropriate industry, academic and government targets will become more effective and efficient.

Another very positive step forward this past year was the establishment of an industry-led coalition that is committed to leading the development of Mission 2050, an innovative research centre, at the Elora Research Station. The coalition is building industry awareness and support, exploring various governance models, and is looking at all aspects of design and construction. Currently, plans are being finalized for Phase One (the Dairy Complex).

ARIO is continuing to develop its Infrastructure Reinvestment Strategy to ensure the province's agri-food research platforms are state-of-the-art and able to support future demand-driven research that will be necessary for Ontario to remain competitive in the ever expanding global marketplace.

In addition, ARIO continues to support the operations of the Vineland Research & Innovation Centre (VRIC) at the Vineland Research Station as it strives to fully establish its leadership role in the delivery of horticultural research in and for Ontario. Efforts of transferring control of the Vineland Research Station to VRIC, which coincides with their recently announced capital campaign and their efforts to significantly increase their research capacity, should soon be finalized.



Stewart Cressman, Chair
Agricultural Research
Institute of Ontario

Karen Chan,
Director of Research
Agricultural Research
Institute of Ontario

Throughout all of these strategic initiatives, ARIO continues to be guided by the following objectives and principles:

- Maintain and encourage involvement with all partners and beneficiaries in the sector;
- Encourage the discovery and commercialization of value-added products;
- Encourage market and receptor driven research, development and adaptation; and
- Establish strong leadership on a regional and sectoral basis in determining future needs.

While ARIO fully recognizes the financial challenges facing government, we look forward with optimism to the role that a vibrant agriculture and food sector, led by world class research and innovation, can have on our global competitiveness and future economic stability and growth across the entire province.

ARIO members are privileged to provide a unique voice for the agri-food research system. Research and innovation will play an ever increasing role in keeping Ontario competitive on the world stage. We look forward to the many challenges and opportunities that lie before us.

Stewart Cressman,
Chair, Agricultural Research Institute of Ontario

Karen Chan, Director of Research
Agricultural Research Institute of Ontario

Financial Information

Statement of Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including June 13, 2011.

In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture, Food and Rural Affairs on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:

Karen Chan
Director of Research

Rob Cunnington, C.A.
Comptroller

Independent Auditors' Report

Chartered Accountants
and Business Advisors

To the Members of: Agricultural Research Institute of Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2011 and the statements of revenues and expenditures and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

RLB LLP

Guelph, Ontario
June 13, 2011

Chartered Accountants
Licensed Public Accountants

Statement 1
Statement of Financial Position

As at March 31, 2011

	2011 (schedule 1)	2010
ASSETS		
CURRENT		
Cash	$ 1,280,423	$ 164,872
Temporary investments	8,080,181	8,886,098
Accounts receivable	349,951	405,618
	9,710,555	9,456,588
CAPITAL ASSETS UNDER CONSTRUCTION	1,978,482	1,127,537
CAPITAL ASSETS (note 4)	52,585,459	54,660,104
	$ 64,274,496	$ 65,244,229
LIABILITIES		
CURRENT		
Accounts payable and accruals	$ 1,577,973	$ 1,295,866
Holdbacks payable	537,419	471,983
Unclaimed expenditures	4,739,236	5,955,158
Deferred revenue	1,559	23,211
	6,856,187	7,746,218
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 5)	2,150,000	1,150,000
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	38,349,547	40,419,333
	47,355,734	49,315,551
NET ASSETS		
FUND BALANCES	16,918,762	15,928,678
	$ 64,274,496	**$ 65,244,229**

Statement 2
Statement of Revenues and Expenditures

For the Year Ended March 31, 2011

		2011 (schedule 2)	2010
REVENUES			
Research:	Grants - Provincial (note 9)	$ 1,850,000	$ 2,100,000
	Grants - other	100,000	100,000
	Intellectual property	1,077,756	944,784
		3,027,756	3,144,784
Property:	Grants - Provincial - Minor Capital (note 9)	5,250,000	4,000,000
	Rental income - Provincial	317,440	318,495
	Rental income - Private industry	668,774	681,020
	Operations and maintenance - Provincial	386,859	388,583
	Operations and maintenance - Private industry	3,000	3,000
	Transfer payments - payments in lieu of taxes (note 9)	250,000	550,000
	Payments in lieu of taxes	65,430	65,529
	Amortization of deferred capital contribution	2,069,786	2,030,413
		9,011,289	8,037,040
Other:	Investment income	386,636	260,988
		12,425,681	**11,442,812**
EXPENDITURES			
Research:	Research project/program	3,137,516	3,477,764
	Intellectual property expenses	575,538	915,572
		3,713,054	4,393,336
Property:	Payments in lieu of taxes	723,609	684,943
	Minor capital	5,528,856	5,217,654
	Operations and maintenance	603,617	678,267
	Amortization of capital assets	2,074,645	2,034,894
		8,930,727	8,615,758
Other:	Other expenses	7,538	17,258
	Write down of investments	200	0
		7,738	17,258
		12,651,519	**13,026,352**
NET EXPENDITURES OVER REVENUES for the year		**(225,838)**	**(1,583,540)**
FUND BALANCES, beginning of year		**15,928,678**	**16,585,012**
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES		**1,215,922**	**1,030,811**
UNREALIZED DEPRECIATION IN INVESTMENTS		**0**	**(19,320)**
CONTRIBUTED ASSETS		**0**	**(38,000)**
FUNDS RETURNED TO THE PROVINCIAL GOVERNMENT		**0**	**(46,285)**
FUND BALANCES, end of year		**$ 16,918,762**	**$ 15,928,678**

Statement 3
Statement of Cash Flows

for the Year Ended March 31, 2011

	2011	2010
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net expenditures over revenues for the year	$ (225,838)	$ (1,583,540)
Items not requiring an outlay of cash		
Amortization	2,074,645	2,034,894
Unrealized depreciation in investments	0	(19,320)
Deferred capital contributions	(2,069,786)	(2,030,413)
	(220,979)	(1,598,379)
Changes in non cash working capital		
Accounts receivable	55,667	10,021
Temporary investments	805,917	(788,544)
Accounts payable and accruals	282,107	317,751
Deferred capital funded contributions	1,000,000	1,150,000
Holdbacks payable	65,436	(38,629)
Funds returned to the provincial government	0	(46,285)
Deferred revenue	(21,652)	23,211
	1,966,496	(970,854)
CASH USED IN INVESTING ACTIVITIES		
Additions to capital assets	0	(194,380)
Capital assets under construction	(850,945)	(1,127,537)
	(850,945)	(1,321,917)
NET INCREASE (DECREASE) IN CASH for the year	1,115,551	(2,292,771)
NET CASH, beginning of year	164,872	2,457,643
NET CASH, end of year	**$ 1,280,423**	**$ 164,872**

Notes to the Financial Statements

For the Year Ended March 31, 2011

1 NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non profit corporate body reporting directly to the Ministry of Agriculture, Food and Rural Affairs. It was created by the ARIO Act (1962) with specific responsibilities over the co ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri food system. In addition, ARIO manages the Vegetation Management Alternatives Program research fund on behalf of the Ministry of Natural Resources, and all funding is provided by the Ministry of Natural Resources.

Funding for programs supported by ARIO is available from three sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for the competitive research programs. The secondary source of funding is the Federal Government, mainly through Agriculture and Agri Food Canada (AAFC). Under the ARIO Act, the Institute may accept grants and donations for research. Other funds usually come from commercial sources (such as agri business, marketing boards, and producer associations) and can be either designated for specific projects or non designated. In addition, with the approval of the Minister of Agriculture, Food and Rural Affairs, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The research trust funds are managed by the secretariat to ARIO as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- Vegetation Management Alternatives Program (VMAP)
- New Directions and Alternative Renewable Fuels Research Program (New Direction)
- Food Safety Research Program (Food Safety)
- Infrastructure

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

Agricultural Research Institute of Ontario follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate research trust fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate research trust fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) INVESTMENTS

Investments classified as available for sale are recorded at market value. Investments classified as held to maturity are recorded at amortized cost. Unrealized gains and losses on available for sale financial assets are included directly to the fund balance until the asset is removed from the statement of financial position.

(c) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for competitive research projects less expenses incurred to date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CAPITAL ASSETS
Capital assets are amortized using the following annual rate and method:

Buildings	40 year straight line

(e) IMPAIRMENT OF LONG LIVED ASSETS
Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(f) DEFERRED CAPITAL CONTRIBUTIONS
Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(g) INCOME TAXES
ARIO is a non profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

(h) RESTRICTIONS ON THE EXPENDITURE OF FUNDS
The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order in Council, memorandum of understanding or Ministry correspondence.

(i) USE OF ESTIMATES
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions relate to the valuation of accounts receivable and accounts payable and the useful life of capital assets. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

Credit risk management
The organization's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accruals, and holdbacks payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, liquidity, currency or credit risks arising from these financial instruments.

The organization does not have a significant exposure to any individual customer or counterpart.

Fair value of financial assets and financial liabilities
The carrying values of cash, temporary investments, accounts receivable, accounts payable and accruals, and holdbacks payable approximate their fair value due to the relatively short periods to maturity of these items.

Notes to the Financial Statements

For the Year Ended March 31, 2011

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2011	Net 2010
LAND:				
Simcoe Railway Line	$ 9,793	$ 0	$ 9,793	$ 9,793
Colleges	3,095,900	0	3,095,900	3,095,900
Research Stations	10,945,180	0	10,945,180	10,945,180
	14,050,873	0	14,050,873	14,050,873
BUILDINGS:				
Colleges	27,617,995	4,953,811	22,664,184	23,880,964
Research Stations	19,514,842	3,644,440	15,870,402	16,728,267
	47,132,837	8,598,251	38,534,586	40,609,231
	$ 61,183,710	**$ 8,598,251**	**$ 52,585,459**	**$ 54,660,104**

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately $60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non arm's length parties, is non monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

5. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

The organization received funding from the provincial government (Ontario Ministry of Agriculture, Food and Rural Affairs) towards a capital project undertaken during the fiscal year known as Elora Livestock Environmental and Energy Complex. The project is estimated to be completed in 2014.

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of the buildings transferred to ARIO from the Government of Ontario.

7. CONTRIBUTED ASSETS

Contributed assets represent the cost of the land transferred to ARIO from the Government of Ontario.

8. ARIO RESEARCH FUND

	Seed Royalty	Technology Transfer	Unpledged Equity	Total 2011	Total 2010
Revenue					
Intellectual property	$ 733,623	$ 344,133	$ 0	$ 1,077,756	$ 944,784
Investment income	60,964	74,052	200	135,216	61,960
	794,587	418,185	200	1,212,972	1,006,744
Expenses	558,159	24,917	200	583,276	932,830
Net surplus for the year	236,428	393,268	0	629,696	73,914
Fund balance, beginning of the year	951,557	1,097,909	0	2,049,466	1,981,246
Unrealized depreciation in investments	0	0	0	0	(5,694)
Fund balance, end of year	**$ 1,187,985**	**$ 1,491,177**	**$ 0**	**$ 2,679,162**	**$ 2,049,466**

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

The following grants have been received from the Ministry of Agriculture, Food and Rural Affairs (OMAFRA):

	2011	2010
New Directions Research Program	$ 1,350,000	$ 1,350,000
Food Safety Research Program	500,000	500,000
Alternative Renewable Fuels	0	250,000
	1,850,000	2,100,000
Minor capital	5,250,000	4,000,000
Elora Livestock Environmental and Energy Complex	1,000,000	1,150,000
Payments in lieu of taxes	250,000	550,000
	$ 8,350,000	**$ 7,800,000**

10. CAPITAL DISCLOSURES

The organization defines capital as the sum of fund balances and is calculated as follows:

	2011	2010
Fund balances, being capital	$ 16,918,762	$ 15,928,678

The organization's objective when managing capital is to safeguard the organization's ability to continue as a going concern and to hold sufficient fund balances to enable it to withstand negative unexpected financial events in order to maintain stability in the financial structure.

The organization seeks to maintain sufficient liquidity and short term borrowing capacity to enable it to meet its obligations as they become due. The organization manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the organization may modify or seek additional government funding. The organization is not subject to externally imposed capital requirements.

Research Trust Funds
Schedule 1 - Financial Position

As at March 31, 2011

	ARIO	Infrastructure	ARF	VMAP	New Directions	Food Safety	Eliminations	March 31, 2011 Total (statement 1)
ASSETS								
CURRENT								
Cash	1,280,423							1,280,423
Temporary investments	8,080,181							8,080,181
Due from ARIO		2,380,685	763,458	12,277	2,021,765	953,862	(6,132,047)	0
Accounts receivable	302,544	32,681	3,001	26	7,928	3,771		349,951
	9,663,148	2,413,366	766,459	12,303	2,029,693	957,633	(6,132,047)	9,710,555
Capital assets under construction		1,978,482						1,978,482
Capital assets (note 4)	9,793	52,575,666						52,585,459
	9,672,941	56,967,514	766,459	12,303	2,029,693	957,633	(6,132,047)	64,274,496
LIABILITIES								
CURRENT								
Due to other research trust funds	6,132,047						(6,132,047)	0
Accounts payable and accruals	861,732		37,861		518,342	160,038		1,577,973
Holdbacks payable			103,140		421,899	12,380		537,419
Unclaimed expenditures			97,437		3,703,922	937,877		4,739,236
Deferred revenue		1,559						1,559
	6,993,779	1,559	238,438	0	4,644,163	1,110,295	(6,132,047)	6,856,187
Deferred capital funded contributions (notes 5 & 9)		2,150,000						2,150,000
Deferred capital contributions (note 6)		38,349,547						38,349,547
	6,993,779	40,501,106	238,438	0	4,644,163	1,110,295	(6,132,047)	47,355,734
FUND BALANCES, end of year	2,679,162	16,466,408	528,021	12,303	(2,614,470)	(152,662)		16,918,762
	9,672,941	**56,967,514**	**766,459**	**12,303**	**2,029,693**	**957,633**	**(6,132,047)**	**64,274,496**

See accompanying notes

Financial Information

Research Trust Funds
Schedule 2 - Revenues

For the Year Ended
March 31, 2011

		ARIO (note 8)	Infrastructure	ARF	VMAP	New Directions	Food Safety	March 31, 2011 Total (statement 2)
REVENUE		$	$	$	$	$	$	$
Research:	Grants - Provincial					1,350,000	500,000	1,850,000
	Grants - Other			100,000				100,000
	Intellectual property	1,077,756						1,077,756
		1,077,756	0	100,000	0	1,350,000	500,000	3,027,756
Property:	Grants - Provincial - Minor Capital		5,250,000					5,250,000
	Rental income - Provincial		317,440					317,440
	Rental income - Private industry		668,774					668,774
	Operations and Maintenance - Provincial		386,859					386,859
	Operations and Maintenance - Private industry		3,000					3,000
	Transfer payments - payments - in lieu of taxes		250,000					250,000
	Payments in lieu of taxes		65,430					65,430
	Amortization of deferred capital contribution		2,069,786					2,069,786
		0	9,011,289	0	0	0	0	9,011,289
Other:	Investment income	135,216	87,878	32,511	5,058	89,743	36,230	386,636
		1,212,972	**9,099,167**	**132,511**	**5,058**	**1,439,743**	**536,230**	**12,425,681**

See accompanying notes

Research Trust Funds
Schedule 2 - Expenditures

For the Year Ended
March 31, 2011

		ARIO (note 8)	Infrastructure	ARF	VMAP	New Directions	Food Safety	March 31, 2011 Total (statement 2)
EXPENDITURES								
Research:	Research project\program			263,826	202,529	2,219,160	452,001	3,137,516
	Intellectual property	575,538						575,538
		575,538	0	263,826	202,529	2,219,160	452,001	3,713,054
Property:	Payments in lieu of taxes		723,609					723,609
	Minor capital		5,528,856					5,528,856
	Operations and maintenance		603,617					603,617
	Amortization of capital assets		2,074,645					2,074,645
		0	8,930,727	0	0	0	0	8,930,727
Other:	Other expenses	7,538						7,538
		200						200
		7,738	0	0	0	0	0	7,738
		583,276	**8,930,727**	**263,826**	**202,529**	**2,219,160**	**452,001**	**12,651,519**
Net revenue (expenses)		**629,696**	**168,440**	**(131,315)**	**(197,471)**	**(779,417)**	**84,229**	**(225,838)**
Fund balance, beginning of year		2,049,466	16,297,968	397,404	68,950	(2,667,463)	(217,647)	15,928,678
Net amount transferred from unclaimed expenditures		0	0	261,932	140,824	832,410	(19,244)	1,215,922
Fund balance, end of year		**2,679,162**	**16,466,408**	**528,021**	**12,303**	**(2,614,470)**	**(152,662)**	**16,918,762**

See accompanying notes

ARIO Highlights for 2010-2011

General

Membership:

- No changes from 2009-2010.

Business Plans:

- The 2011-2014 ARIO multi-year business plan was developed and serves as a framework for ARIO's business activities over the next three years. Four key areas of activity are identified:
  - Strategic Advice
  - Leadership
  - Advocacy
  - Managerial Oversight

Research

OMAFRA/University of Guelph Partnership:

- The eight theme-based research programs administered under the OMAFRA/University of Guelph partnership are fully aligned with priorities established under the OMAFRA Research Advisory Network (ORAN).

- Over $10 million was invested in 72 research projects which will provide sector and economic development opportunities, provide recommendations and solutions for industry, support animal and human health, and protect our agricultural and environmental resource base.

- Two exciting new programs were launched:
  - **The Agri-Food and Rural Link Knowledge Translation and Transfer Program (KTT).** It's focus is to reach new audiences and accelerate the dissemination of research knowledge into use. To date, 30 projects have been funded.
  - **The Highly Qualified Personnel (HQP) Scholarship Program.** To date, funding has been provided for 53 graduate students doing research work with their faculty advisor in areas that support OMAFRA's research priorities. This program provides unique opportunities to broaden the learning experience through mentorship, job shadowing and a course in "The Integration of Science and Business in Agri-food Systems".

Competitive Research Programs (Food Safety & New Directions):

- Priorities for the Food Safety Research Program were aligned with the Emergency Management research theme for the 2010/2011 research cycle. Seven projects were approved for funding under this program in the areas of threat identification, detection and surveillance, and disease prevention and control. A $500,000 provincial government investment has leveraged an additional $685,000 from collaborators and co-funders.

- Almost $1.3 million was invested in nine projects approved for funding under the New Directions Research Program. This investment leveraged almost $1 million from public and private sector partners in the areas of emerging markets (organic and ethnic markets), water management, agri-food value chains and food processing.

Research Highlights

Improvements in Research Administration:

- The first phase of implementation (research program administration) of OMAFRA's new on-line Research Management System (RMS) is almost complete. The new system will eliminate paper submissions and dramatically improve workflow around applications, reviews, financial administration, scientific reports, and knowledge translation and transfer. In April 2011, the Food Safety Research Program will become the first program to launch a Call for Proposals using the new RMS.

Selected research project highlights:

- **Bioeconomy – Industrial Uses:** The 2010 Ford Flex now has interior parts made from wheat-straw plastic using technology created as part of the Ontario BioCar Initiative with collaborating researchers from the universities of Guelph, Toronto, Waterloo and Windsor.

- **Food for Health:** Clinical trials are underway to investigate the effects of high rosmarinic acid spearmint tea for management of arthritis, which could provide new opportunities for Ontario producers and positively impact human health.

- **Product Development and Enhancement through Value Chains:** Food science researchers are bringing together two of Ontario's largest agricultural sectors – soybeans and meat processing – to develop soy-based packaging materials and edible films that could be a greener, more sustainable alternative to petroleum-based plastics.

- **Production Systems:**
  - Plant Production Systems: Efforts are underway at Ridgetown campus to develop the ultimate processing tomato with high levels of the antioxidant Lycopene. These new varieties will benefit farmers and exceed consumers nutritional expectations for tomato products.
  - Animal Production Systems: Disease detection in livestock may soon be encapsulated in a wireless monitoring device, giving farmers a computerized, non-invasive diagnostic tool for common illnesses, even before clinical symptoms appear.

- **Emergency Management:** Guelph researchers from the School of Computer Science are developing free, open source software to assist governments and scientists looking for a better way to plan for and respond to the spread of animal disease by modelling the introduction and spread of disease and determine the best intervention.

- **Environmental Sustainability:** A team of researchers is looking at alternative ways of safely and economically managing animal manure in Ontario.

- **Agricultural and Rural Policy:** A 'how to' manual is being developed to identify and explain best practices and highlight success stories to help struggling rural municipalities cope with economic decline and improve local conditions.

Infrastructure

The 2010-11 fiscal year was the fourth full year of ARIO's ownership of the Ontario government's agri-food research and education infrastructure. The portfolio consists of 14 research stations and 3 college campuses covering approximately 6,600 acres, 350 plus buildings and over 45 tenants. The Institute continues to provide efficient property management of agri-food research infrastructure to allow for effective implementation of research priorities.

Minor Capital Program

- OMAFRA provided $4.0 million in base funding for the ARIO Minor Capital Program. This was split between building improvements and repairs ($3.0 million) and program related capital investment ($1.0 million). An additional $250,000 was provided to support planning for possible new research centres.

- In 2010-11, 139 capital projects worth approximately $5.3 million were supported. This included additional one-time funding to support projects related to: energy efficiency, green energy, greenhouse gas reduction, and code compliance. The project priority list was developed by the University of Guelph working together in consultation with ARIO and OMAFRA. Overall program management and individual project implementation/construction was provided by the University of Guelph with ARIO/OMAFRA oversight.

ARIO's Reinvestment Strategy

- Efforts continued in the development, advancement and implementation of ARIO's Reinvestment Strategy. ARIO has actively engaged industry stakeholders, research partners, academia and other levels of government to achieve buy-in for the development of up to five research centres under the Reinvestment Strategy (Vineland Research and Innovation Centre was the first centre, Elora Livestock, Environment and Energy Complex will be the second).

- Current and future research infrastructure needs were reviewed and evaluated to support the full implementation of research priorities in accordance with recently established ARIO criteria.

- Efforts to raise awareness of OMAFRA's research priorities, ORAN, and the Provincial Government's key priorities continued among research system partners (including industry, the research community and various levels of government). Opportunities were identified for deeper alignment among partners, such as Agriculture and Agri-Food Canada, with respect to research infrastructure.

Elora Livestock, Environment and Energy Complex

- An industry-led coalition was established to lead the development of Mission 2050 to build industry awareness and financial support. The coalition is exploring various partnership and governance models, and is facilitating the detailed aspects of design and planning. The industry, government and academic partners involved in the project have remained dedicated to the design and construction of this facility. The partners are confident that the success of phase one will facilitate the expansion of the facility and its disciplines in the future.

Vineland Research and Innovation Centre

- Work continued with VRIC to fully establish their leadership role in operating the Vineland Research Station and in delivering horticultural research in, and for Ontario.

- Efforts continued to finalize agreements to transfer control of the station to VRIC. These should be completed over the next fiscal.

- Progress continued to be made on a site master plan for a new state-of-the-art facility that will be supported through VRIC's recently announced capital fundraising campaign.

- VRIC has made tremendous strides in dramatically increasing their intellectual research capacity and now have over 50 people on staff.